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## More bad economic analysis of student debt

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## Quad 136

### More Bad Economic Analysis of Student Debt

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### More Bad Economic Analysis of Student Debt

The **Market Watch blog** (at the *Wall Street Journal* no less!) has more gloom and doom about student debt. Reporting analysis from the personal finance website NerdWallet, the blog offers this brilliant analysis: a dollar paying off student debt is a dollar that cannot be saved for retirement, therefore millenials with debt won't be able to retire until their early 70s, rather than at 65.

Bad analysis in so many ways:

1. The retirement age is climbing as life expectancy climbs, as the Social Security program acknowledges. So 65 is probably not the expected retirement age of millenials.
2. The article acts as if the historical post-tax savings rate of 6.1% is somehow a law of nature rather than a choice made by individual agents.
3. Finally, and most importantly, the analysis ignores the increased lifetime earning of grads. The implicit comparison is to a life without any loans, but the real comparison should be to a life without a college degree.

The concern for me as an educator regarding this negative focus on loans and borrowing is that students and their families will underinvest in education. Certainly it would be good to leave college loan- free and to the extent families can increase their savings for college through 529 plans and the like, that is a good thing. But if students and their families become so obsessed and fearful about loans and debt that young adults enter their early 20s without a college degree, they and society will be poorer for it and, in the worst of all possible worlds, retirement may not even be an option.

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## About the Author: Michael Hemesath

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Michael Hemesath is the 13th president of Saint John's University. A 1981 SJU graduate, Hemesath is the first layperson appointed to a full presidential term at SJU. You can find him on Twitter [at] [PrezHemesath](#).